



## Joint Meeting of House and Senate Committee on Judiciary Senator King and Representative Barker, chairs

June 16, 2016

Presenter: Jim Freeman, CFO  
Wichita Public Schools

### *Public Comment on Potential School Funding changes in Response to the May 27, 2016, Gannon Order*

Chairman King and Chairman Barker, members of the House and Senate Judiciary Committees:

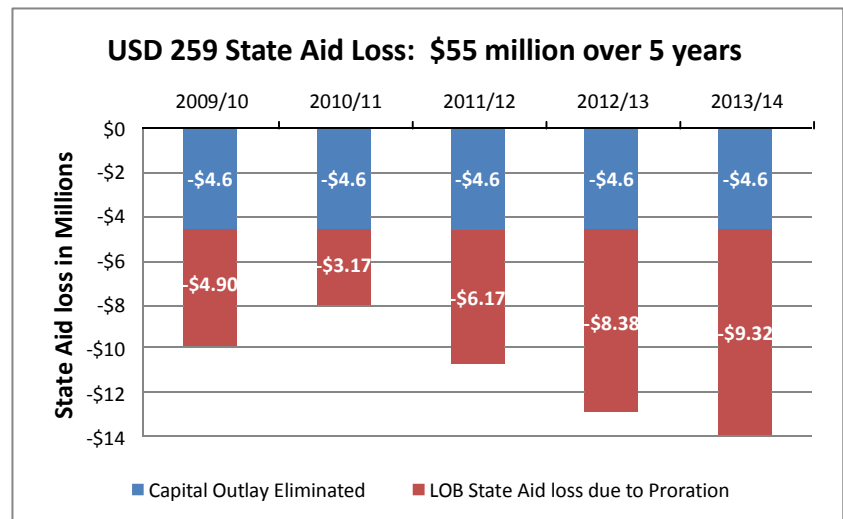
Thank you for the opportunity to provide comments on the Kansas Supreme Court's May 27<sup>th</sup> *Gannon Order*. The legislature was successful in responding to the deficits found in the Capital Outlay state aid distribution. The Court found the Capital Outlay inequity was cured by HB 2655. The Court did not find the new local option budget (LOB) constitutional when the capital outlay aid formula was applied due to increased and exacerbated disparity among districts.

We are halfway through the month of June. We are all in agreement with the objective to keep our schools open and not disrupt the important behind the scenes work which take place during the summer to prepare for fall enrollment and the first day of classes.

Given the short timeframe and desire to provide Kansas schools and families with certainty, we support reinstating the former local option budget formula and fully fund state aid.

The issue of not providing equity for LOB and capital outlay aid has persisted since 2009. The Court found the combination of LOB aid proration and elimination of capital outlay aid created unconstitutional, wealth-based disparity among districts.

To offer the Committees a historical perspective on the magnitude of LOB state aid proration (underfunding), combined with Capital Outlay aid elimination, this chart illustrates the impact on the Wichita Public Schools. The chart illustrates state aid loss from 2009 to 2013 (prior to the block grant). LOB proration ranged from 8 percent reduction in 2010/11 to a high of 22% proration in 2013/14.



Loss of LOB state aid placed the Wichita Board of Education, along with Boards faced with proration, in the position of either increasing property taxes or cutting budgets. A sharp contrast compared to the property wealthy districts which did not experience reductions in state aid or LOB budgets.

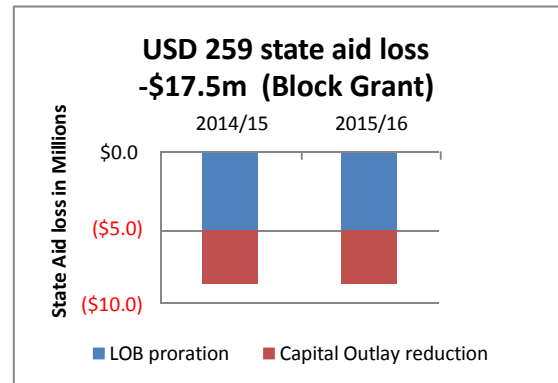
The elimination of capital outlay state aid in 2009 was a disproportionate reduction for Wichita Public Schools. The district's capital state aid loss totaled over \$23m during the ramp-up of bond construction projects approved by voters in 2008. The significant loss of funding negatively impacted school construction projects.

Prior to the block grant adoption the Wichita Public Schools lost over \$55m in state aid which adversely impacted school operations and capital projects while increasing LOB property taxes.

In 2014/15 in response to Gannon, the legislature reinstated capital outlay aid and funded LOB aid. The legislature's action lowered property taxes 3.5 mills for Wichita taxpayers and funded pay raises.

The Block Grant recalculated the formulas for both LOB and capital which reduced the equalization aid in 14/15. These reductions in LOB and capital outlay state aid resulted in property taxes increasing 2.8 mills in 15/16.

The state aid underfunding has impacted some, not all districts. Districts with lower property wealth have had fewer resources to educate students.



The Local Option Budget is no longer funding the “extras.” The LOB now funds routine operational costs. Because the LOB is part of our basic operational budget, the underfunding of state aid creates inequities. The chronic underfunding of state aid has strained the budgets for school districts who qualify for state aid.

Underfunding LOB state aid and eliminating capital outlay aid has reduced resources for some districts, including Wichita, who has lost funding for seven years. Districts with greater affluence have not experienced losses in LOB or capital.

This disparity has made it more difficult to hire and retain the most talented teachers and school leaders who are essential in providing the quality educational programs required to meet the educational needs of our diverse student population.

We are at a competitive disadvantage to hire the best and brightest teachers – the teachers our Wichita students deserve, the quality of teachers students in every community in Kansas deserve. We must guard against zip code being the determining factor for quality education. Funding equity helps bridge the educational needs for students who do not live in affluent circumstances.

We believe the path to a constitutional resolution in fiscal year 17 is to reinstate the previous, constitutional formulas for both the local option budget funded (approx. \$16.5m) and capital outlay (approx. \$23m). Although this does not make our district whole for FY 15 or 16, this action, in our opinion, will work. Diluting funding, changing formulas or adding artificial provisions beyond the scope of the formula will simply continue the disparity and jeopardize reaching a constitutional resolution in a timely manner.

Mr. Chairman, thank you for your consideration and work on these issues of great importance to students, families and Kansans.